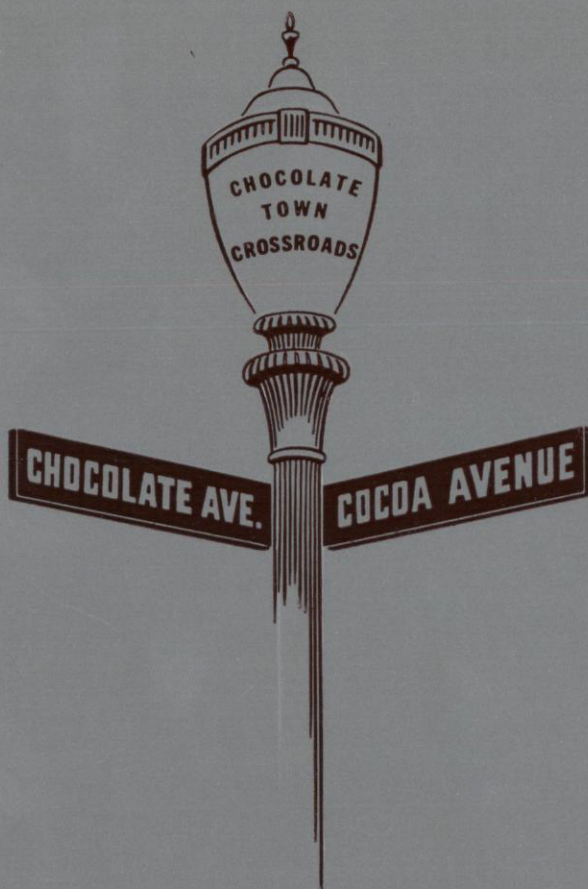


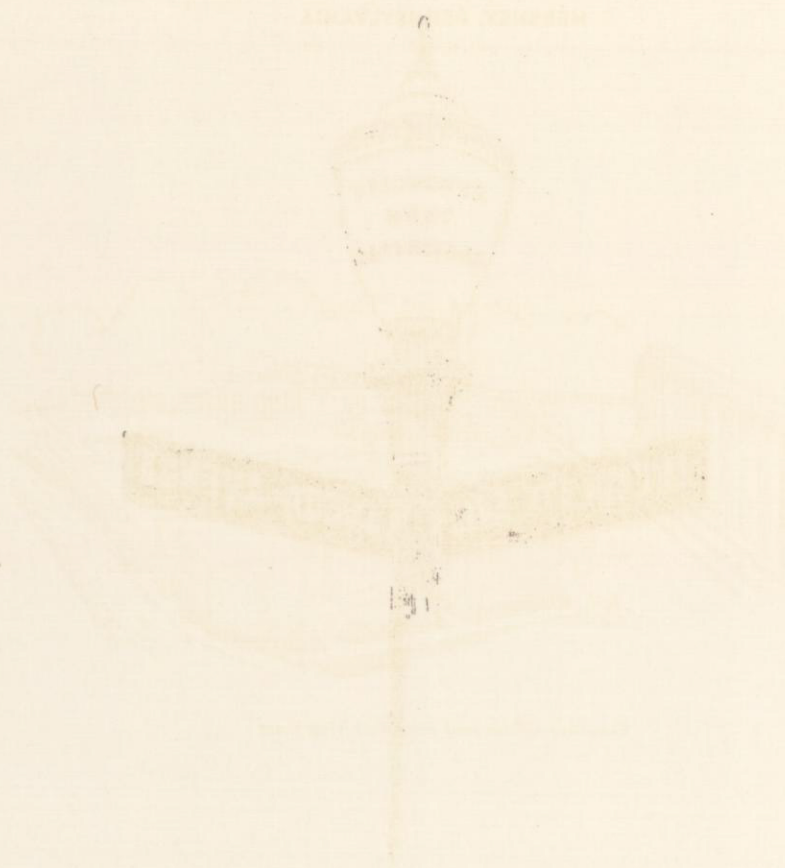
HERSHEY'S



ANNUAL REPORT
DECEMBER 31, 1960



MEMBER OF THE

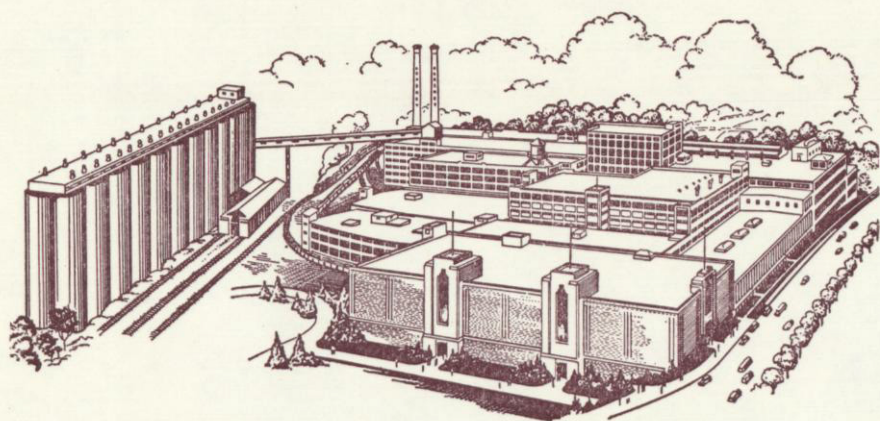


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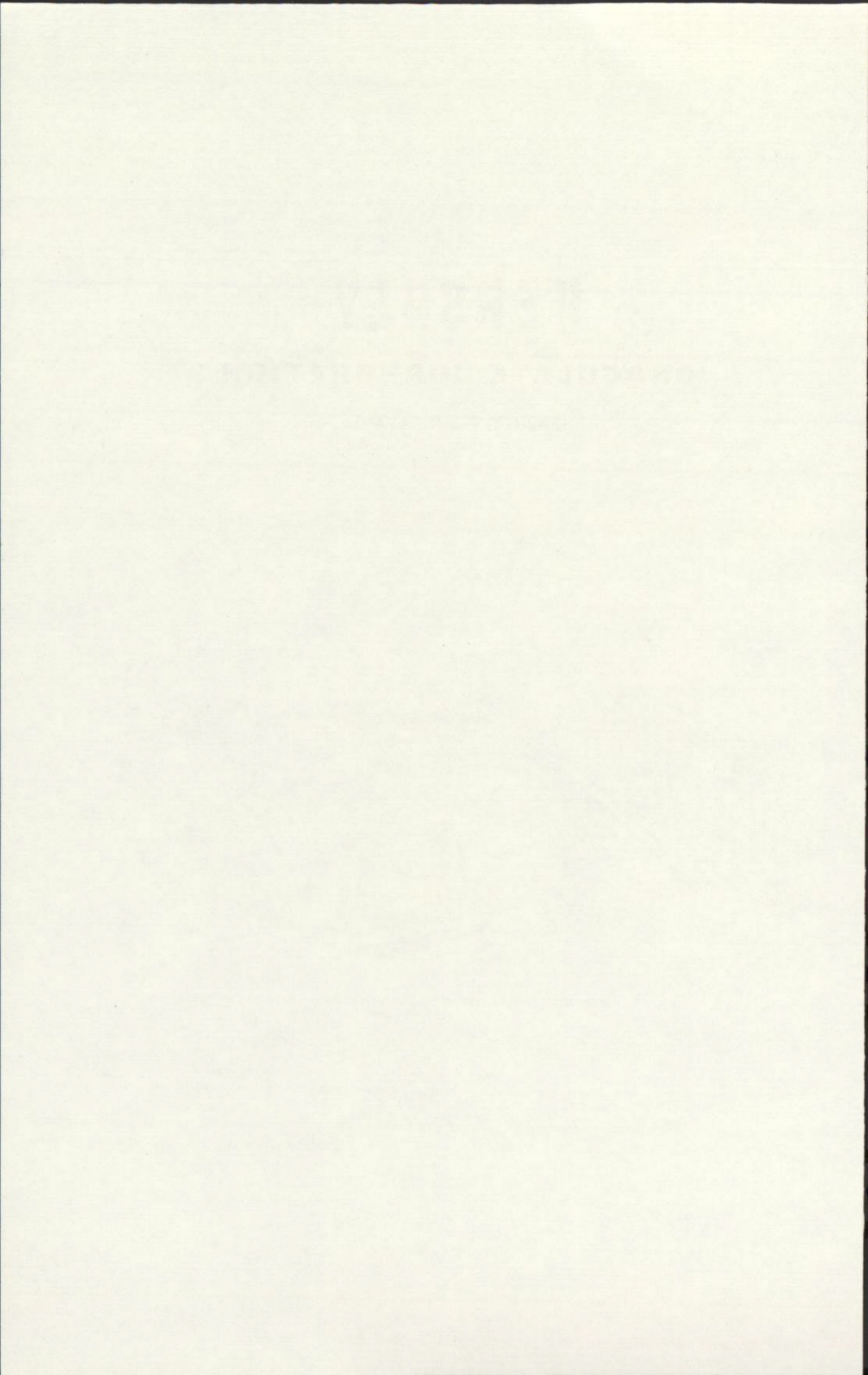
HERSHEY

CHOCOLATE CORPORATION

HERSHEY, PENNSYLVANIA



Executive Offices and Manufacturing Plant



BOARD OF DIRECTORS

J. J. GALLAGHER, *Chairman*

W. H. RADEBAUGH

S. F. HINKLE

W. E. SCHILLER

L. W. MAJER

J. B. SOLLENBERGER

H. S. MOHLER

A. R. WHITEMAN

OFFICERS

J. J. GALLAGHER, *Chairman of Board of Directors*

S. F. HINKLE, *President*

L. W. MAJER, *Vice President and Secretary*

W. E. SCHILLER, *Vice President and Treasurer*

L. W. SIMMONS, *Comptroller*

TRANSFER AGENT

FIRST NATIONAL CITY TRUST COMPANY
NEW YORK

REGISTRAR

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

To the Stockholders:

It is a pleasure to present the annual report of your Company for the year 1960 and to discuss with you some of the business and financial high lights of the year.

Sales in 1960 reached an all-time record of \$170,250,905. This was an increase of \$2,901,776 over the sales of 1959. Net earnings in 1960 amounted to \$18,509,792 as compared with \$15,257,910 in 1959, equivalent to \$7.69 and \$6.35 per share in the respective years. Dividends paid in 1960 totaled \$3.70 a share compared with \$3.40 in 1959, including year-end extras of \$1.00 in each year. The regular quarterly dividend was increased in the third quarter of 1960 from \$.60 to \$.75 a share.

One of the most encouraging developments pertaining to our business has been the better harvests of cocoa beans in the last two seasons. This marks the first time since late in 1946 — a period of more than fourteen years — that we have been freed of a major worry of shortages in our basic business commodity. This has permitted us to take important steps toward long-range objectives not only of keeping pace with the growing population of the United States but also of increasing the per capita consumption of our chocolate products. With more favorable cocoa bean costs, we were able to make substantial reductions in some of our selling prices and to increase materially the weights of many of our chocolate bars.

We are optimistic about results in 1961 although it is difficult to forecast earnings because of many variable factors. It should be noted that with the lower sales prices the attainment of a dollar sales volume comparable with the 1960 record is dependent, among other things, upon an increase in tonnage or unit sales sufficient to offset the price reductions.

The future of our business is a matter to which we are giving our earnest attention. Numerous and varied plans are in work and other ideas are being implemented steadily as they emerge from the planning stages of our various study groups.

It has been a genuine source of satisfaction to the older members of our management organization to witness the development and the advancement within the Corporation of a competent group of able and promising young men, the majority of whom have entered our employ since the war years. We believe that our stockholders will appreciate knowing that our top management feels fortunate in being able to rely upon so able a group of key personnel in whose hands someday will rest the authority for carrying on the affairs of the Hershey Chocolate Corporation.

Many of the new products with which you are familiar and which were discussed in previous annual reports are tangible results of our plans to strengthen and broaden Hershey's market position. Some of the items have been altered slightly in appearance and in packaging to improve their salability. May we call your attention to a number of the newer ones

HERSHEY CHOCOLATE

BALANCE SHEET -

ASSETS

CURRENT ASSETS:

Cash	\$ 8,789,195
Short-term securities, at cost	35,337,275
Accounts receivable, less reserves of \$500,480	7,839,659
Inventories (Note 1)	29,646,459
Total current assets	<u>\$81,612,588</u>

PLANT AND PROPERTY, at cost:

Land	\$ 159,443	
Buildings and improvements	14,336,386	
Machinery and equipment.....	25,076,349	
Construction in progress	<u>451,511</u>	
	\$40,023,689	
Less—Reserves for depreciation.....	<u>24,466,885</u>	15,556,804
PREPAID ITEMS		<u>486,136</u>
		<u>\$97,655,528</u>

NOTES:

- (1) Inventories of cocoa beans and almonds, together with the cocoa beans are stated at cost under the "last-in, first-out" method. The remain
- (2) Under the Officers and Key Employees Stock Option Plan approved in 1 at December 31, 1960. Of these shares 39,444 were for outstanding for 5,715 shares and \$84.00 per share for 11,050 shares), and 53, shares. Options for 2,892 shares were exercised during the year, an

TE CORPORATION

CEMBER 31, 1960

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities		\$ 6,145,612
Reserve for state taxes		1,590,672
Reserve for Federal income tax	\$13,810,546	
Less — U. S. Government short-term securities	<u>13,810,546</u>	<u>—</u>
Total current liabilities		\$ 7,736,284

CAPITAL STOCK AND SURPLUS:

Common stock, without par value—		
Authorized 3,000,000 shares (Note 2);		
outstanding 2,406,298 shares	\$ 4,585,594	
Earned surplus	<u>85,333,650</u>	<u>89,919,244</u>
		<u>\$97,655,528</u>

monds and the wage costs included in finished goods and goods in process, inventories are stated at the lower of average cost or market.

there were 92,953 authorized but unissued shares of common stock reserved options (at \$54.00 per share for 22,679 shares, \$55.00 to \$75.50 per share shares were for future options. In 1960 options were granted for 11,050 e proceeds of \$160,508 were credited to the common stock account.

HERSHEY CHOCOLATE CORPORATION

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1960

PROFIT AND LOSS

NET SALES		\$170,250,905
COST OF GOODS SOLD, SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....		<u>129,611,113</u>
		\$ 40,639,792
PROVISION FOR INCOME TAXES:		
Federal income tax	\$20,650,000	
Commonwealth of Pennsylvania income tax	<u>1,480,000</u>	<u>22,130,000</u>
Net profit for the year		<u>\$ 18,509,792</u>

NOTE: Costs and expenses for the year 1960 include provision for depreciation of plant and equipment in the amount of \$1,443,351.

EARNED SURPLUS

EARNED SURPLUS AT DECEMBER 31, 1959	\$ 75,723,335
ADD -- Net profit for the year 1960	<u>18,509,792</u>
	\$ 94,233,127
DEDUCT -- Dividends on common stock (\$3.70 per share)	<u>8,899,477</u>
EARNED SURPLUS AT DECEMBER 31, 1960	<u>\$ 85,333,650</u>

in case you have not come upon them in the markets:

HERSHEY'S Instant Cocoa Mix
HERSHEY'S Milk Chocolate Hershey-ets
HERSHEY'S Mint Chocolate
HERSHEY'S Vitamin Fortified Milk Amplifier
HERSHEY'S Milk Chocolate Covered Candy Coated Almonds

We believe the last mentioned product has almost unlimited potential, possessing as it does eating qualities which we believe to be as pleasing as our most famous product — HERSHEY'S Milk Chocolate Almond bar.

During the year 1960 expenditures of approximately \$1,225,000 were made as a part of a continuing program of improving, expanding, and modernizing our plant facilities.

The latest and perhaps most newsworthy result of this planning is the decision to construct a plant in Canada to enable us to manufacture HERSHEY'S chocolate and cocoa products for the growing Canadian market. We propose to begin the construction of this enterprise in the spring of 1961 in Smiths Falls, Ontario — a delightful community about fifty miles south of Ottawa and strategically located to serve the Canadian market. Our engineering work for the project is nearing completion and in this new and most modern of plants we anticipate duplicating much of the processing which is now carried out in Hershey. Obviously, the new plant will not approach in size our present operation which, as you know, is the world's largest and most complete chocolate and cocoa manufacturing plant. Our new Canadian subsidiary will be known as Hershey Chocolate of Canada Ltd., and Smiths Falls will be the home of — although obviously not the largest — the world's most modern chocolate and cocoa manufacturing plant.

Our Smiths Falls venture will be the Hershey Chocolate Corporation's first foreign operation. You are aware that at the present time our only manufacturing facility is located in Hershey, Pennsylvania. However, as the population of the United States continues to grow, and particularly so in the far western area, your Company is considering the establishment of a branch plant in the area of the Pacific seaboard. The decision has not yet been finalized, but it is appropriate to report to you that this is a project currently being studied.

We wish to express our grateful appreciation to our officers and employees whose loyalty and cooperation were responsible for the success of our operation in 1960.

By order of the Board of Directors,

J. J. GALLAGHER

Chairman of the Board

S. F. HINKLE

President

February 20, 1961.

AUDITORS' CERTIFICATE

*To the Board of Directors and the Stockholders of
Hershey Chocolate Corporation:*

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1960, and the related statements of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation as of December 31, 1960, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 14, 1961.

HERSHEY CHOCOLATE CORPORATION

EXECUTIVE OFFICES AND MANUFACTURING PLANT
HERSHEY, PENNSYLVANIA

WAREHOUSES

Atlanta, Ga.	Little Rock, Ark.
Billings, Mont.	Los Angeles, Cal.
Cambridge, Mass.	Memphis, Tenn.
Chicago, Ill.	Milwaukee, Wis.
Cincinnati, Ohio	New Orleans, La.
Dallas, Texas	North Bergen, N. J.
Davenport, Iowa	Oklahoma City, Okla.
Denver, Colo.	Omaha, Neb.
Detroit, Mich.	Pittsburgh, Pa.
East St. Louis, Ill.	Portland, Ore.
Houston, Texas	St. Paul, Minn.
Jacksonville, Fla.	Salt Lake City, Utah
Kansas City, Mo.	San Francisco, Cal.
Seattle, Wash.	

SALES OFFICES

In all principal cities in the United States

HERSHEY'S PRODUCTS

FOR THE CONSUMER

MILK CHOCOLATE BARS

ALMOND BARS

SEMI-SWEET BARS

KRACKEL BARS

MR. GOODBAR

MINIATURE BARS

HERSHEY-ETS

MINT CHOCOLATE

MILK CHOCOLATE KISSES

BAKING CHOCOLATE

DAINTIES

COCOA

CHOCOLATE SYRUP

INSTANT COCOA MIX

HOT CHOCOLATE POWDER

CHOCOLATE FUDGE TOPPING

CHOCOLATE COVERED ALMONDS

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS

UNSWEETENED CHOCOLATE

COCOA BUTTER

COCOA POWDER

CHOCOLATE SYRUP

CHOCOLATE FUDGE

